

Message Text

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11

ACTION OPIC-12

INFO OCT-01 NEA-10 ADP-00 EB-11 AID-20 CIAE-00 INR-10

NSAE-00 L-03 TRSE-00 COME-00 OMB-01 /068 W

----- 047813

R 091237 Z APR 73

FM AMEMBASSY NEW DELHI

TO SECSTATE WASHDC 3662

UNCLAS NEW DELHI 4072

OPIC

E. O. 11652: N/ A

TAGS: EAID, IN

SUBJECT: SHAMA FORGE COMN LTD9 - LOAN NO. 386- E116

REF: (A) NEW DELHI 3790

(B) NEW DELHI 3802

(C) STATE 63551

1. MEETING ON APRIL 5 WAS GENERAL AND EXPLORATORY IN NATURE.
AFTER BACKGROUND/ FINANCIAL DIFFICULTIES OF SHAMA PROJECT HAD
BEEN TRACED, MUKUND REPRESENTATIVE (EMECUTIVE V. P.) STATE

THE MUKUND WOULD BE INTERESTED IN TAKING OVER SHAMA PROJECT
ONLY IF:

(A) NEW CAPITAL APPROXIMATING RS. 5-6 MILLION WERE
INFUSED INTO COMPANY (FROM SOURCES OTHER THAN MUKUND);

(B) MUKUND IS GIVEN MANAGEMENT CONTRACT PERMITTING
MUKUND TO EARN RS. 700,000 - 1,000,000 ANNUALLY AFTER
TAXES; AND

(C) MUKUND IS GIVEN RIGHT TO PURCHASE SHAMA, IN WHOLE OR
PART, AFTER SOME REASONABLE TIME. (MUKUND IS NOT
INTERESTED IN ANY PRESENT PURCHASE OF SHAMA SHARES.)

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WWM IN REPLY, CREDITOR AND OWNER FINANCIAL INSTITUTIONS INDICATED:

(A) SOME DEGREE OF WILLINGNESS TO ADVANCE FRESH CAPITAL, WITH PRECISE FIGURES HAVING TO BE WORKED OUT, BUT ONLY - OBVIOUSLY - AS PART OF OTHERWISE OVERALL SOUND RANGE-MENT; AND

(B) FEELING THAT " MANAGEMENT FEE" REFERRED TO ABOVE APPEARS ON HIGH SIDE AND PERHAPS SHOULD BE RECONSIDERED, WITH FURTHER REFINEMENT THAT PERHAPS MUKUND (RECIPIENT IN PAST OF FINNCIAL ASSISTANCE FROM PRESENTLY CONCERNED INSTITUTIONS) SHOULD SETTLE FOR LOW MANAGEMENT FEE AS ITS " SOCIAL OBLIGATION" M

3. MEETING BROKE OFF WITH MUKUND' S BEING ASKED TO FURNISH PRECISE DETAILS OF PLAN - HOW MUCH NEW CAPITAL IS REQUIRED. WHAT IS MUKUND' S REALISTIC MANAGEMENT FEE, ETC. MUKUND AGREED TO FURNISH ADDITIONAL DETAILS IN EAR FUTURE.

4. USAID REP WAS NOT ASKED TO MAKE STATEMENT AT MEETING; AND, IN VIEW VERY TENTATIVE NATURE MUKUND PROPOSAL (ABOVE), WE FELT IT BST TO OFFE NO COMMIT. HOWEVER, IT IS CLEAR TO US THAT USAID/ OPIC POSITION, AND FACT THAT WE PLANNING LITIGATION, ARE WELL KNOWN TO ALL CONCERNED PARIES.

5. RE PARA TWO CEF (C): WE CONCUR IN PRINCIPLE WITH TDY AT APPROPRIATE TIME BY OPIC COUNSEL. EXACT TIMING CAN, OF COUR E, BE WORKED OUT AS EVENTS DEVELOP. ALSO RE PARA TWO REF (C), WE PUZZLED BY YOUR REFERENCE TO " PROPOSED SALE OF SHAMA' S ASSETS"; TO WHAT DOES THIS REFER? MOYNIHAN

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*** Current Handling Restrictions *** n/a

*** Current Classification *** UNCLASSIFIED

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